



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FY2018-19

CITY COUNCIL MEETING

Keith DeMartini, Finance Director

January 14, 2020



Objective

- Receive the Comprehensive Annual Financial Report and Measure A Report
- Adopt a resolution accepting the City's Comprehensive Annual Financial Report and the Measure A Fund Report on compliance for the fiscal year ended June 30, 2019 (**Action Required**)



Agenda

1. CAFR – Nuts & Bolts
2. Financial Statement Overview
3. General Fund Reserves
4. Internal Controls
5. Measure A Report
6. Request to Council
7. Questions

Who Reads the CAFR?





CAFR – Nuts & Bolts

1. The City retains Maze & Associates as the City's External Auditor
2. Government Accounting Standards Board (GASB) reporting requirements
3. Municipal Code – annual reporting requirement
4. Major Sections
 - Introduction
 - Financial Section
 - Notes to the Financial Statements
 - Statistical Section



Budget vs. CAFR



Government Finance Officers Assoc. Financial Reporting



Government Finance Officers Association

- Established in 1945
- 79 page checklist of criteria evaluated by Government Finance professionals
- San Bruno has received this award 9 years in a row!

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Bruno
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

Government Finance Officers Assoc. Budget Presentation



- Established in 1984
- 93 question checklist of criteria evaluated by Government Finance professionals
- San Bruno has received this award for the first time for the FY2019-20 budget!

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of San Bruno
California**

For the Fiscal Year Beginning

July 1, 2019

Christopher P. Morill

Executive Director

Annual Audit Overview

- **Maze and Associates** – we are an independent CPA firm, independent of City of San Bruno
- Audit timing:
 - **Interim** – week in April 2019
 - **Final** – week in October 2019
 - **Opinion Date** – December 18, 2019
- Audit was conducted according to auditing standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States

Independent Auditor's Report

Fairly stated, in all material respects...
conformity with accounting principles
generally accepted (GAAP) in the USA.

Financial Statement Highlights – Government-Wide



- Net position increased by \$12.6 million to \$138.8 million during the year.
- Governmental fund balances decreased by \$1.9 million to \$47.7 million compared to prior year.
 - \$6 million PG&E penalty in FY2017-18
 - Modest growth in tax revenue sources
 - Robust capital improvement program
 - Personnel costs from filling vacant positions
- Net Pension Liability decreased slightly to \$88.7 million.

Financial Statement Highlights – Governmental Funds



	<u>FY2018-19</u>	<u>FY2017-18</u>	<u>Change</u>
<u>Assets</u>			
Cash and investments	\$36,689,676	\$38,113,764	(\$1,424,088)
Receivables	5,780,851	5,894,880	(114,029)
<u>Other</u>	<u>13,339,282</u>	<u>12,496,095</u>	<u>843,187</u>
Total Assets	\$55,809,809	\$56,504,739	(\$694,930)
<u>Liabilities</u>			
Accounts Payable	\$6,704,607	\$6,660,345	\$44,262
<u>Unearned Revenue</u>	<u>963,588</u>	<u>205,647</u>	<u>757,941</u>
Total Liabilities	\$7,668,195	\$6,865,992	\$802,203
Deferred Inflow	452,606		452,606
Fund Balance	\$47,689,008	\$49,638,747	(\$1,949,739)

Financial Statement Highlights – Governmental Funds Revenues



Revenue	<u>FY2018-19</u>	<u>FY2017-18</u>	<u>Change</u>
Taxes	\$30,183,994	\$27,836,907	\$2,347,087
Licenses and Permits	4,807,519	3,893,645	913,874
Intergovernmental	6,193,125	5,441,457	751,668
Charges for Services	3,689,192	3,301,524	387,668
Fines and Forfeitures	1,345,048	7,009,636	(5,664,588)
Use of Money and Property	2,277,193	1,189,135	1,088,058
Other Revenues	<u>9,396,817</u>	<u>11,436,819</u>	<u>(2,040,002)</u>
Total Revenue	\$57,892,888	\$60,109,123	\$(2,216,235)

Financial Statement Highlights – Governmental Funds Expenses



Expenses	<u>FY2018-19</u>	<u>FY2017-18</u>	<u>Change</u>
General Government	\$6,151,598	\$6,220,529	\$(68,931)
Public Safety	26,538,743	24,877,089	1,661,654
Public Works	1,255,226	984,844	270,382
Streets	1,605,936	1,494,003	111,933
Parks and Recreation	5,795,227	5,717,215	78,012
Library	2,067,693	2,038,896	28,797
Community & Economic Development	2,934,136	2,856,118	78,018
Capital Outlay	12,649,502	8,675,937	3,973,565
Debt Service	<u>1,754,905</u>	<u>1,398,629</u>	<u>356,276</u>
Total Expenses	\$60,752,966	\$54,263,260	\$6,489,706
Net Change in Fund Balance	(1,949,739)	6,163,262	(8,113,001)
Beginning Fund Balance	<u>49,638,747</u>	<u>43,475,485</u>	<u>6,163,262</u>
Ending Fund Balance	\$47,689,008	\$49,638,747	\$(1,949,739)

Financial Statement Highlights – Enterprise Funds



<i>(in \$Millions)</i>	Water	Stormwater	Wastewater	Cable
Assets	\$73.2	\$6.8	\$99.4	\$4.3
Liabilities	19.4	1.0	45.7	20.2
Net Position	54.3	5.9	54.3	(15.2)
Net Position - Change from FY18	\$6.5	(\$0.2)	\$6.9	(\$2.4)

Financial Statement Highlights – Pension



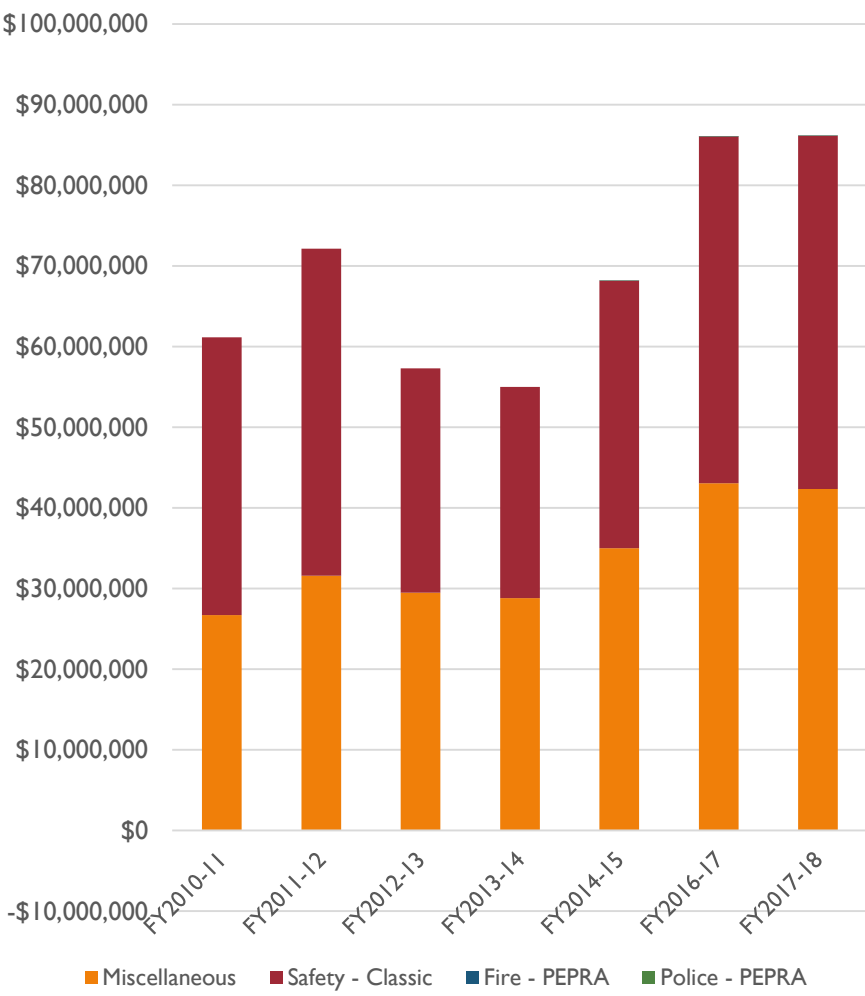
- \$7.2 million retirement benefit costs in FY2018-19
- \$8.2 million retirement benefit costs in FY2019-20
- Net Pension Liability has increased by 66% since FY2013-14

Net Pension Liability	Miscellaneous	Safety	Total
June 30, 2018	\$44,639,865	\$44,587,859	\$89,227,724
June 30, 2019	43,474,515	45,216,872	88,691,387
Change – Increase (Decrease)	\$(1,165,350)	\$629,013	\$(536,337)



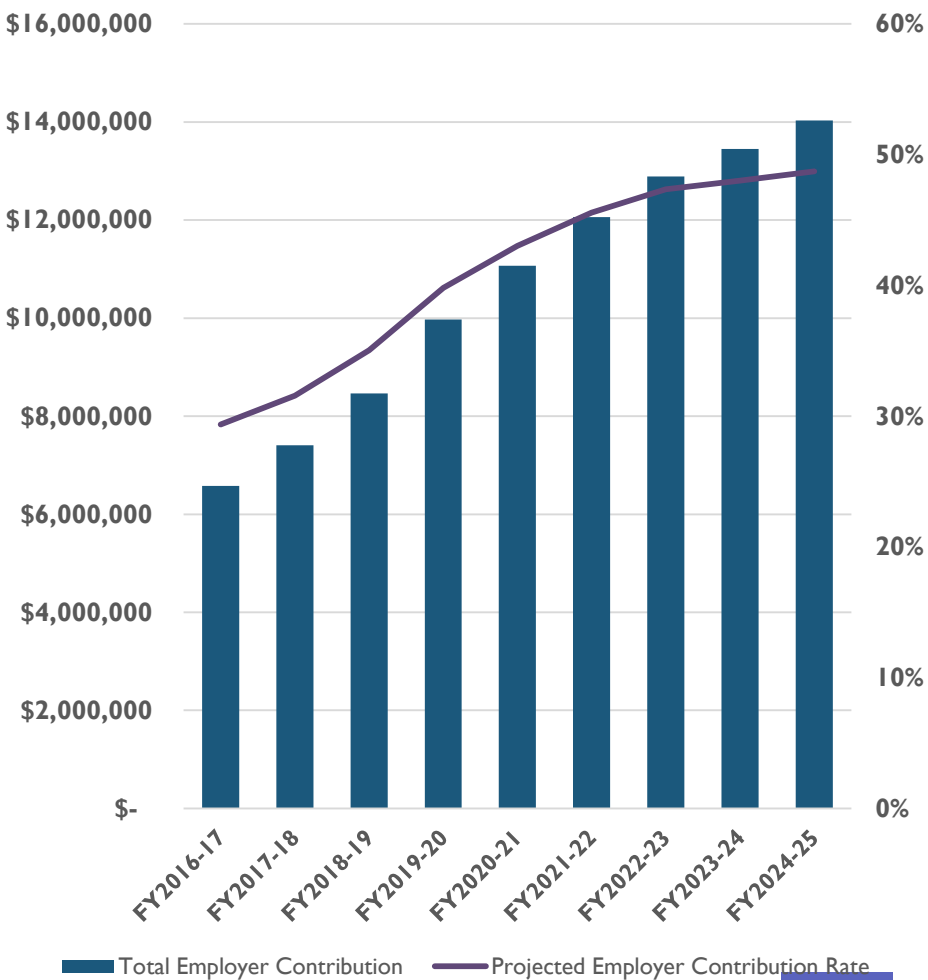
Pension - Cost Trends

Unfunded PERS Pension Liability



Employer Contribution & Percent of Total

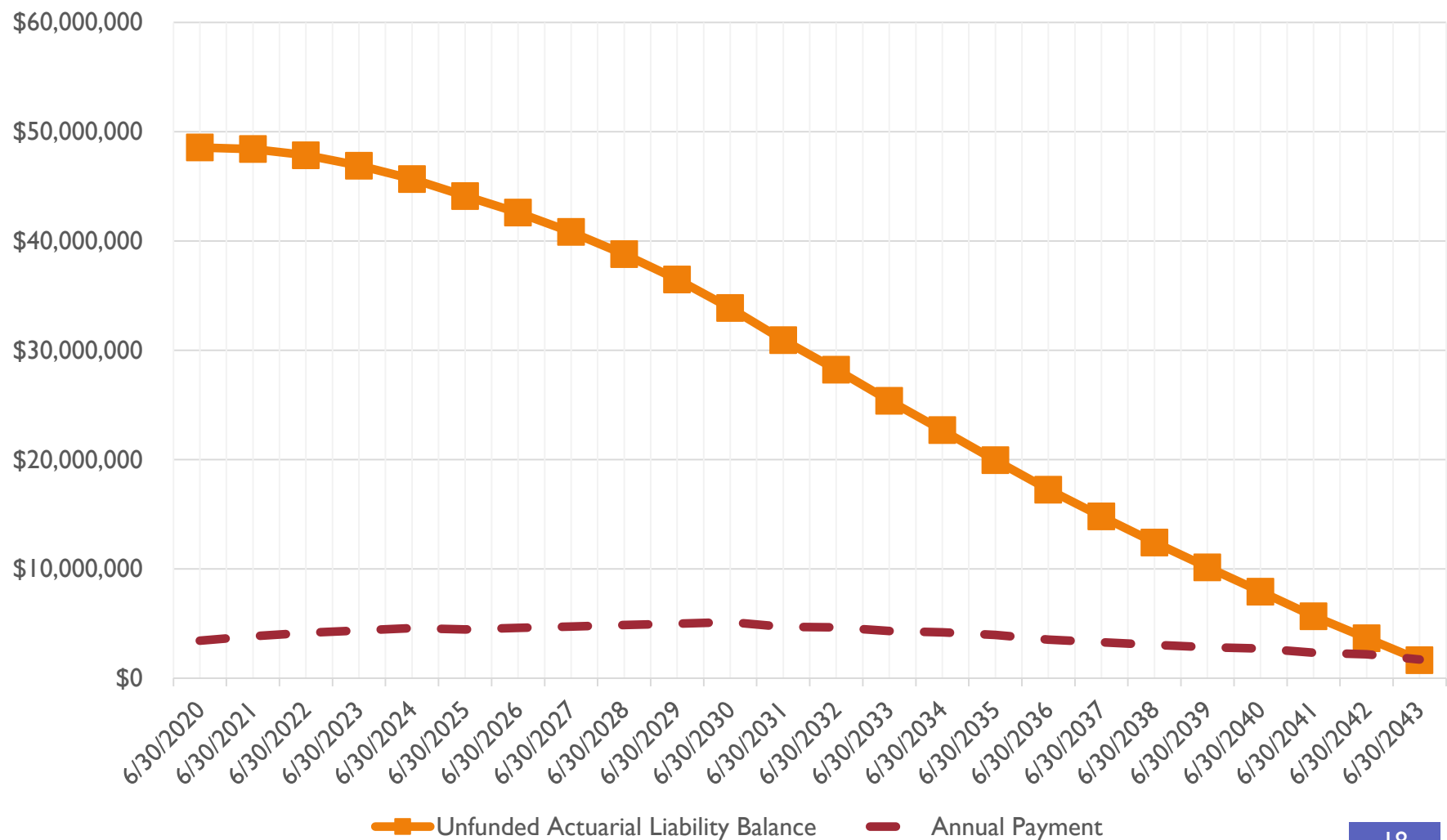
All Plans





Pension – Unfunded Liability Amortization

Miscellaneous Plan - Current UAL Amortization Schedule





Pension – Pre-Funding Trust

- Prefund normal cost contributions and unfunded liability payments
- Make additional discretionary payments
- Act as a contingency fund to control for future volatility
- CalPERS investment strategies and low participation costs



General Fund Reserves

Item	Reserve Type	Amount (\$ Millions)
1	General Fund Reserve	\$11.8
2	General Fund Contingency	2.2
3	Emergency Disaster Reserve	3.2
4	Capital Improvements/One-Time Initiative	5.0
5	General Fund Equipment Reserve	4.2
	Total	\$26.4

Memorandum on Internal Controls

- No material weaknesses
- Significant deficiency – Cable Enterprise Fund
 - Negative Fund Balance for multiple fiscal year
 - Deficit Net Position has grown over the years
 - City Net Services business plan
 - Identifying and achieving process improvements and cost savings
 - Focus on higher margin business – new rate card
 - Planning for citywide Fiber-to-the-Home project
- Other Matters – Investment Policy

Measure A Report



- Ensure compliance with the agreement for distribution of San Mateo County Measure A funds for local transportation purposes
- \$1.5 million of assets
- \$1.6 million spent on various transportation programs



Request to City Council

- Adopt a resolution accepting the City's Comprehensive Annual Financial Report and the Measure A Fund Report on compliance for the fiscal year ended June 30, 2019

Questions

